

Message Text

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ACTION XMB-04

INFO OCT-01 EUR-12 NEA-10 ISO-00 CAB-02 CIAE-00
COME-00 DODE-00 DOTE-00 EB-08 INR-10 NSAE-00
FAA-00 L-03 TRSE-00 OMB-01 /051 W
-----121620 071736Z /45

P R 071416Z AUG 78
FM AMEMBASSY ROME
TO SECSTATE WAHSDC PRIORITY 4702
INFO AMEMBASSY ATHENS
AMEBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY CAIRO PRIORITY
AMEMBASSY LONDON
AMEMBASSY PARIS

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FROM RCAA DWOR

DEPT PASS COMMERCE FOR BEO/OBOD AND CAGNE; EXIMBANK; FAA FOR
CARMICHAEL
BRUSSELS FOR FAA;
ATHENS FOR TDO

E.O. 11652 N/A
TAGS: EAIR, BEXP, EG
SUBJECT: EGYPTAIR FORTHCOMING WIDEBODIED AIRCRAFT ACQUISITION
DECISION:
FINANCIAL AND TRAFFIC PERFORMANCE 1978

REF:) CAIRO 18247, B) CAIRO 18018, C) CAIRO 17271, D) ROME
7410

1. RCAA AND EMBASSY COMMERICAN ATTACHE EIGHMIE MET AUG 1-3
WITH SENIOR EGYPTIAN CIVIL AVIATION OFFICIALS TO ASSESS PRESENT
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STATUS OF EGYPTAIR WIDEBODIED EVALUATION AND 1978 TO DATE
TRAFFIC REVENUE RESULT AND PROGNOSIS OF YEAR-END PROFITABILITY.
MEETINGS WERE HELD WITH MINISTER OF CIVIL AVIATION AND TOURISM
STINO, ACTING ADMINISTRATOR CIVIL AVIATION AUTHORITY MORSI,
EGYPTAIR ACTING CHAIRMAN AIDEROS (CHAIRMAN HASHAD IS ON OFFICIAL
LEAVE IMMINENT RETIREMENT), EGYPTAIR EXECUTIVE VICE
PRESIDENT FOR CORPORATE PLANNING ZIMEITY, EGYPTAIR VICE CHAIRMAN

MEGAHED, EGYPTAIR MANAGER PLANNING BAZARAA, AND TECHNICAL ADVISOR TO EGYPTAIR BOARD FAHMY. FOLLOWING ARE SIGNIFICANT POINTS EMERGING.

2. WIDEBODIED EVALUATION COMMITTEE, CHAIRED BY MUHAMMED ZIMEITY, PRESSING HARD TO MEET SEPTEMBER 15 TARGET DATE FOR SUBMITTING RECOMMENDED TYPE SELECTION DECISION TO ACTING CHAIRMAN AIDEROS AND BOARD OF DIRECTORS FOR APPROVAL. TO PROTECT PRICE AND DELIVERY POSITION, ZIMEITY WILL SIMULTANEOUSLY REQUEST BOARD APPROVAL TO SIGN LETTER-OF-INTENT WITH SUCCESSFUL AIRCRAFT MANUFACTURER FOR THREE AIRCRAFT, SUBJECT COMPETITION FINANCING AND EGYPTIAN GOVERNMENT AND CENTRAL BANK APPROVAL.

3. ZIMEITY CONVEYED CONCERN THAT PRESENT BOARD OF DIRECTORS MAY REFUSE TO IMPLEMENT RECOMMENDED DECISION ON PREMISE THAT SUCH ACTION WOULD BE IMPROPER INASMUCH AS NEW EXPANDED (11 MEMBER) BOARD DUE TO BE APPOINTED BY GOVERNMENT DURING OCTOBER. HOWEVER, BOTH ACTING CHAIRMAN AIDEROS AND MINISTER STINO ASSURED US PRESENT BOARD WILL ACT PROMPTLY TO EXPEDITE URGENTLY REQUIRED AIRCRAFT ACQUISITION. THIS APPEARS IN ACCORDANCE WITH RECENT INSTRUCTIONS TO AIRLINE BY PRIME MINISTER URGING RAPID REPLACEMENT OF LEASED WIDEBODIED AIRCRAFT (TWO A-300BY-100S).

4. ALTHOUGH INITIAL REQUIREMENT COVERS THREE WIDEBODIED AIRCRAFT FOR DELIVERY LATE 1979/EARLY 1980, TOTAL REQUIREMENT BY 1985 COVERS NINE TO FOURTEEN WIDEBODIED AIRCRAFT (DEPENDENT UPON TYPE LIMITED OFFICIAL USE

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ORDERED) VALUED AT 540-550 MILLION DLDRS INCLUDING SPARES. AIRCRAFT IN CONTENTION AREA LOCKHEED-CALIFORNIA L-1011-500 (243 SEATS IN EGYPTAIR CONFIGURATION), MCDONNELL DOUGLAS DC-10-10ER (277 SEATS), AIRBUS INDUSTRIE A-300B-100/200 (232 SEATS), BOEING 747-166.B (APPR. 350-370 SEATS). MANUFACTURERS DELIVERY DATES APPEAR TO BE: L-1011-500 OCTOBER, NOVEMBER, DECEMBER 1979; DC-10-10ER NOVEMBER (TWOA/C), DECEMBER 1979; A-300B4-100/200 FOURTH QUARTER 1979; 747-166B THIRD AND/OR FOURTH QUARTER -1980.

5. IN EXCHANGING VIEWS REGARDING INDIVIDUAL AIRCRAFT SELECTION PREFERENCES, WE NOTE MINISTER OF CIVIL AVIATION STINO AND ACTG. CHAIRMAN AIDEROS APPEARING TO FAVOR A-300B4-100/200, AT LEAST FOR INITIAL THREE-AIRCRAFT ACQUISITION 1979-1980. HOWEVER, BOTH VICE CHAIRMAN FINANCE MEGAHEED AND GENERAL MGR PLANNING BAZARAAA APPEAR RESPONSIVE TO PAYLOAD/RANGE, CAPACITY, UNIT OPERATING COST/FUEL-BURNOFF, AND ENHANCED PROFIT-OPPORTUNITY ADVANTAGES OF U.S. WIDEBODIED AIRCRAFT. MOST SIGNIFICANTLY, EVALUATION CHAIRMAN ZIMEITY INDICATES RATHER STRONG MISGIVINGS REGARDING A-300 B4-100/200 DUE FOLLOWING: A) LACK OF RANGE FLEXIBILITY AND SHARP CONSTRAINTS ON DEPLOYMENT OVER WATER AND DESERT SECTORS (ONE-HOUR RULE ON DISTANCE FROM NEAREST AIRPORT); B) ZIMEITY PERSONAL ATTENDANCE AT AIRBUS INDUSTRY AIRLINE

OPERATOR CONFERENCE TOULOUSE MAY 1978 AND DISAPPOINTMENT WITH
LACK OF RESPONSE BY AIRBUS INDUSTRIE OFFICIALS TO AIRLINE
OPERATORS' COMPLAINTS REGARDING PRODUCT/SPARES SUPPORT.
ZIMEITY CONCEDES A-300B4-100/200 COST EFFECTIVE OVER
PRESENT SPECIALIZED EUROPEAN AND MIDDLE EAST/GULF ROUTE
SECTORS, BUT THAT EGYPTAIR'S BEST INTERESTS LIE IN UNIFORM
FLEET OF WIDEBODIED AIRCRAFT CAPABLE OF DEPLOYMENT OVER AIR-
LINE'S TOTAL ROUTE NETWORK, INTERCONTINENTAL AS WELL AS
REGIONAL.

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COME-00 DODE-00 DOTE-00 EB-08 INR-10 NSAE-00
FAA-00 L-03 TRSE-00 OMB-01 /051 W
-----122114 071737Z /45

P R 071416Z AUG 78
FM AMEMBASSY ROME
TO SECSTATE WASHDC PRIORITY 4703
INFO AMEMBASSY ATHENS
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY CAIRO PRIORITY
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6. TASK FORCE IN COMPLETING WIDEBODIED EVALUATION
STUDY INCLUDES FOLLOWING, IN ADDITION TO ZIMEITY:

DIRECTOR GENERAL TECHNICAL ABDEL LATIF RAMADAN
GENERAL MANAGER PLANNING MOHAMED BAZARAA
GENERAL ECONOMIC
AFFAIRS ABDEL EL MILIQI
DIRECTOR ECONOMICS ISMAEL CHERIF

7. PRESENT SIX-MAN BOARD OF DIRECTORS INCLUDING RETIRING CHAIR-
MAN HASHAD, MOHAMED ZIMEITY, GAMAL RASHED (EXPECTED TO RESIGN
SHORTLY), EZZAT MEGAHED, SALAH SALEEM, AND ACTING CHAIRMAN
YEHA AIDOROUS WILL BE REPLACED BY NEW EXPANDED BOARD OF
DIRECTORS IMMEDIATELY SUBSEQUENT TO ANTICIPATED PARLIAMENTARY
PASSAGE OCTOBER 1978 NEW LEGISLATION (FAVORABLY REPORTED OUT OF

COMMITTEE) ACCORDING EGYPTAIR NEW STATUS AS PROFIT-CENTER, AUTO
NOMOUS NATIONAL ENTERPRISE. NEW BOARD WILL CONSIST OF FOUR
MEMBERS OF EGYPTAIR SENIOR MANAGEMENT, FOUR MEMBERS EGYPTAIR
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EMPLOYEES, THREE MEMBERS EGYPTIAN GOVERNMENT.

8. VICE CHAIRMAN AIDEROS INDICATES RAPID BUILDUP OF TRAFFIC FAR
EAST ROUTE, WITH HEAVY MOVEMENTS FILIPINO AND KOREAN WORKERS
TO AND FROM GULF/SAUDI ARABIA, TRIGGERING JUNE 27 IMPLEMENTATION
THIRD WEEKLY ROUND TRIP FREQUENCY (707-366C) CAIRO TOKYO VIA
BAHARIAN, BANGKOK, MANILA. ACCORDING BAZARAA, AIRLINE CLOSELY
STUDYING LEAD FACTORS ON ROUTE TO ASCERTAIN DESIRABILITY
INTRODUCTION WIDEBODIED AIRCRAFT TO REPLACE 707-366C. HE
FURTHER INDICATES INCOMPATIBILITY A-300B4-100/200 ON ROUTE,
DUE LONG (3000 MILES PLUS) OVERWATER SECTOR BANGKOK-BAHRAIN;
FAVORS ACQUISITION U.S. WIDEBODIED AIRCRAFT, IT WIDEBODIED
DEPLOYMENT REQUIRED TO MEET FAR EAST-EGYPT TRAFFIC DEMAND.
AIDEROS INDICATES EGYPTAIR FAR EAST MARKETING EXECUTIVES ARE
BEGINNING TO PRESS HEAVILY FOR EARLY WIDEBODIED DEPLOYMENT BY
AIRLINE.

9. DEPENDENT UPON AIRCRAFT TYPE ORDERED, FOLLOWING IS ROUGH
ZIMEITY OUTLINE OF EGYPTAIR WIDEBODIED ACQUISITION PROGRAMGC

1980 1981 1982 1983 1984 1985

(AIRCRAFT IN SERVICE (YEAR-ENDGL

IF BOEING 747-166B 4 5 6 7 8 9

IF LOCKHEED-CALIF L-1011-500 3 6 8 10 12 13

IF MCDONNELL DOUGLAS DC-10

-10ER 3 5 6 8 10 11

IF AIRBUS IND. A-300B4-200 3 6 8 10 12 14

10. WITH EGYPTAIR'S OPERATING REVENUES UP TO 33W PERCENT FIRST
SIX MONTHS 1978 OVER 1977, AIRLINE'S SENIOR EXECUTIVES ANTI-
CIPATE NET INCOME (INCLUDING FLIGHT OPERATINS AT DUTY-FREE SHOP/
CATERING) OF 20,000,000 TO 22,000,000 MILLION EGYPTIAN POUNDS
(28-31 MILLION DLRS) FOR YEAR ENDING DECEMBER 31, 1978. NET
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INCOME 1977 17,800,000 EGYPTIAN POUNDS (25 MILLION DLRS) IN
FINANCIAL STATEMENT TO BE OFFICIALLY APPROVED BY GENERAL
ASSEMBLY OF STOCKHOLDERS, SEPTEMBER 10.

11. TRAFFIC AND FINANCIAL SUMMARY:

JANUARY-JUNE PERCENT

1978 1977 CHANGE

REVENUE PASSENGER KMS(000) 983,445 858,749 PLUS 14.5
REVENUE TON KMS(000) 105,630 93,157 PLUS 13.4
PASSENGER LOAD FACTOR(PCT) 53.5 50.5 PLUS 3.0 POINTS
WEIGHT FACTOR(PERCENT) 48.8 46.4 PLUS 2.4 POINTS
GROSS REVENUE(MILLIONS E.P) 38.1 28.6 PLUS 33.2
HOLMES

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AIRCRAFT, ACQUISITION
Control Number: n/a
Copy: SINGLE
Draft Date: 07 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978ROME14402
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780322-1244
Format: TEL
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780891/aaaacytp.tel
Line Count: 232
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 31679a67-c288-dd11-92da-001cc4696bcc
Office: ACTION XMB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 CAIRO 18247, 78 CAIRO 18018, 78 CAIRO 17271
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1819340
Secure: OPEN
Status: NATIVE
Subject: EGYPTAIR FORTHCOMING WIDEBODIED AIRCRAFT ACQUISITION DECISION: FINANCIAL AND TRAFFIC PERFORMANCE 1978
TAGS: EAIR, BEXP, EG
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/31679a67-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014